

OP-ED COLUMNIST

Cut Here. Invest There.

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As I'm about to start a four-month book leave, I need to get a few things off my chest: President Obama understood, rightly, that our economy needed more stimulus, so, given the G.O.P.'s insistence on extending the Bush tax cuts for all, he struck the best deal he could. The country, we are told, is now in a better mood, seeing our two parties work together. I, alas, am not in a better mood.

I'll be in a better mood when I see our two parties cooperating to do something hard. Borrowing billions more from China to give ourselves more tax cuts does not qualify. Make no mistake, President Obama has enacted an enormous amount in two years. It's impressive. But the really hard stuff lies ahead: taking things away. We are leaving an era where to be a mayor, governor, senator or president was, on balance, to give things away to people. And we are entering an era where to be a leader will mean, on balance, to take things away from people. It is the only way we'll get our fiscal house in order before the market, brutally, does it for us.

In my book, the leaders who will deserve praise in this new era are those who develop a hybrid politics that persuades a majority of voters to cut where we must so we can invest where we must. To survive in the 21st century, America can no longer afford a politics of irresponsible profligacy. But to thrive in the 21st century — to invest in education, infrastructure and innovation — America cannot afford a politics of mindless austerity either.

The politicians we need are what I'd call "pay-as-you-go progressives" — those who combine fiscal prudence with growth initiatives to make their cities, their states or our country great again. Everyone knows the first rule of holes: When you're in one, stop digging. But people often forget the second rule of holes: You can only grow your way out. You can't borrow your way out.

One of the best of this new breed of leaders is Atlanta's inspiring mayor, 41-year-old Kasim Reed. A former Georgia state senator, Reed won Atlanta's mayoral race in December 2009

by 714 votes. The day he took office, Atlanta had \$7.4 million in reserves, an out-of-control budget and was laying off so many firefighters there were only three personnel on a truck, below national standards. A year later, it has \$58 million in reserves, and Reed has a 70 percent approval rating — which he earned the hard way.

Reed started his reforms by enlisting two professionals, not cronies, to help run the city: Peter Aman, a partner at Bain & Company, a consultancy, to be his chief operating officer; and John Mellott, a former publisher of The Atlanta Journal-Constitution, to lead a pension review panel. Atlanta has 7,000 city employees, but today, says Reed, “you can’t hire a receptionist” without it “personally being approved by Aman.”

Then Reed tackled the city’s biggest problem: runaway pensions, which were eating up 20 percent of tax revenues and are rising. In the early 2000s, the police, fire and municipal workers’ unions persuaded the city to raise all their pensions — and make it retroactive. So, between 2001 and 2009, Atlanta’s unfunded pension obligations grew from \$321 million to \$1.484 billion. Yikes.

Reed couldn’t cut existing pensions without lawsuits, but he cut back pensions for all new employees to pre-2000 levels and raised the vesting period to 15 years from 10. When union picketers swarmed city hall to protest, Reed invited them all into his office — in shifts — where he patiently explained, with charts, that without pension reform everyone’s pensions would go bust.

By getting the city’s budget under control, Reed then had some money to invest in more police officers and, what he wanted most, to reopen the 16 recreation centers and swimming pools in the city’s most disadvantaged neighborhoods, which had been shuttered for lack of money. “People were shooting dice in the empty pools,” he said. Local businesses have now offered to finance after-school job-skills programs in the reopened centers. Cut here. Invest there.

Reed combines a soft touch with a hard head. I like how he talks about both Atlanta and America: “We are not going to be what we have been for the last 50 years if we don’t change, and everybody in a position to have more than two people listening to them needs to be saying that, because the time we have to make the adjustments is running out. We need to get on with it. Whether it’s the deficit, education or investing in young people or immigration — we are not tackling [them] in the fundamental ways required. We’re just doing it piecemeal. We’re just playing and surviving. And we need to be very clear where just surviving takes you: it takes you to a lifestyle of just survival.”

In a recent address, Reed elaborated: “The bottom line is that for the country to do and to be what we have been ... there must be a generation tough enough to stick out its chin and take the hit. ... It is time to begin having the types of mature and honest conversations necessary to deal effectively with the new economic realities we are facing as a nation. We simply cannot keep kicking the can down the road.”

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